

Message Text

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PAGE 01 SANTIA 08397 150232Z
ACTION ARA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-02 INR-07
L-03 NSAE-00 NSC-05 PA-02 PRS-01 SP-02 SS-15
USIA-15 AID-05 COME-00 EB-08 FRB-01 TRSE-00
XMB-04 OPIC-06 LAB-04 SIL-01 OMB-01 AGRE-00 IGA-02
/104 W

-----032765 151557Z /43

R 141249Z OCT 77
FM AMEMBASSY SANTIAGO
TO SECSTATE WASHDC 6792
INFO AMEMBASSY BUENOS AIRES
AMEMBASSY BRASILIA
AMEMBASSY LIMA

UNCLAS SANTIAGO 8397

E.O. 11652: N/A
TAGS: ECON CI AFSP ALOW AFIN EALR
SUBJECT: INFLATION IN SEPTEMBER

REF: SANTIAGO 7392

1. CPI: DURING SEPTEMBER THE CONSUMER PRICE INDEX INCREASED BY 3.7 PERCENT, ACCORDING TO THE NATIONAL INSTITUTE OF STATISTICS (INE). INFLATION FOR THE PERIOD JANUARY-SEPTEMBER AMOUNTED TO 48.9 PERCENT IN COMPARISON WITH 135.5 PERCENT DURING THE SAME PERIOD IN 1976.

2. FOR THE THIRD MONTH IN A ROW THE FOOD COMPONENT EXPERIENCED THE LARGEST INCREASE, 1.6 PERCENT. SHORTAGES OF DOMESTIC MEAT AND FISH DURING THE NATIONAL HOLIDAYS SEPT 11 AND 18 RESULTED IN HIGHER PRICES AND INCREASED IMPORTS FROM ARGENTINA. THE REMAINDER OF THE CPI INCREASE STEMMED FROM HOUSING, 1.1 PERCENT: CLOTHING 0.5 PERCENT; AND MISCELLANEOUS, 0.5 PERCENT.

3. MEASURED OVER A 12-MONTH PERIOD INFLATION IS NOW 73.4
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PERCENT. THE RATE IN SEPTEMBER 1976 WAS 195.8 PERCENT AND IN SEPTEMBER 1975, 203.3 PERCENT. TO FIND A COMPARABLE FIGURE WE WOULD HAVE TO GO BACK TO AUGUST 1972 WHEN THE 12-MONT INCREASE WAS 77.2 PERCENT.

4. THE WHOLESALE PRICE INDEX, A LEADING INDICATOR OF CONSUMER PRICE LEVELS, INCREASED ONLY 1.8 PERCENT IN SEPTEMBER FOR A

12-MONTH VARIATION OF 72.9 PERCENT. THE SEPTEMBER MONTHLY WHOLESALE FIGURE INDICATES THAT THE OCTOBER CPI RATE SHOULD STAY WITHIN THE PERMISSABLE MAXIMUM OF 3.7 PERCENT IN ORDER TO CONFORM TO THE PROJECTED ANNUAL CPI FIGURE OF 66 PERCENT.

5. MONETARY GROWTH - IN THE LAST TWELVE MONTHS THE MONEY SUPPLY HAS GROWN 167 PERCENT TO 12.5 BILLION PESOS. IN CHARACTERIZING THE GROWTH OF THE MONEY SUPPLY THE VICE-PRESIDENT OF THE CENTRAL BANK DECLARED SEPTEMBER 29 THAT THE CONDITIONS REQUIRING A TIGHT MONETARY POLICY HAVE BEEN OVERCOME. FOR THE PERIOD JANUARY-SEPTEMBER M 1 (CURRENCY PLUS NIGHT DEPOSITS) HAS GROWN 80.65 PERCENT. M 2 (M 1 PLUS SAVINGS AND TIME DEPOSITS) HAS INCREASED 112.4 PERCENT. THE PERCENTAGE INCREASES IN THE MONEY SUPPLY AFFIRM OFFICIAL STATEMENTS THAT THERE HAS BEEN SOME LOOSENING OF MONETARY POLICY.

6. IMPORT REGISTRATIONS - TOTAL IMPORTS AS OF AUGUST WERE USD 1.3 BILLION. OF THIS TOTAL 76.5 PERCENT WERE REGISTERED IN THE FIRST SEMESTER. COMPARED TO 1976 IMPORTS HAVE INCREASED 59 PERCENT. ON A SECTORAL BASIS DURING THE FIRST SEMESTER IMPORTS OF CONSUMER GOODS INCREASED 268 PERCENT, CAPITAL GOODS 65 PERCENT AND INTERMEDIATE GOODS 20 PERCENT. OF THE USD 236 MILLION IN CAPITAL GOODS IMPORTS 62 PERCENT WERE IMPORTED BY THE PRIVATE SECTOR AND 38 PERCENT BY THE PUBLIC SECTOR (ELECTRIC UTILITIES, TELECOMMUNICATIONS, TRANSPORT). THE UNCLASSIFIED

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INITIAL HIGH RATE OF IMPORTS IN THE FIRST SEMESTER SLOWED CONSIDERABLY DURING THE PAST SIX MONTHS. THE AUGUST DEVALUATION HAS ACCENTUATED THE SLOWER RATE OF GROWTH OF IMPORTS. AS A RESULT, THE BALANCE OF TRADE IN 1977 IS STILL EXPECTED TO SHOW A SLIGHT SURPLUS DESPITE THE CONTINUING LOW PRICE OF COPPER. BLYATT

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INFLATION, ECONOMIC DATA
Control Number: n/a
Copy: SINGLE
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Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
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Disposition Remarks:
Document Number: 1977SANTIA08397
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770379-0648
Format: TEL
From: SANTIAGO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19771059/aaaabxzf.tel
Line Count: 101
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 2dddc02e-c288-dd11-92da-001cc4696bcc
Office: ACTION ARA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 77 SANTIAGO 7392
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 03-Feb-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 913859
Secure: OPEN
Status: NATIVE
Subject: INFLATION IN SEPTEMBER
TAGS: ECON, AFSP, ALOW, AFIN, EALR, CI
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/2dddc02e-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009